

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
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1. AGENCY USE ONLY (Leave Blank)	2. REPORT DATE 1 Jan-30 Jun 1986 May 1984 June 1985	3. REPORT TYPE AND DATES COVERED Final		
4. TITLE AND SUBTITLE Chinese Military, Economic, and Political Reform: Survey and Chronology			5. FUNDING NUMBERS	
6. AUTHOR(S) Ernestine H. Wang				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Federal Research Division Library of Congress Washington, DC 20540-4840			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES Prepared under an Interagency Agreement				
12a. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (Maximum 200 words) This is a selective compilation of China's major military, economic, and political reforms. The study is based on a variety of sources, including United States, Chinese, and other foreign newspapers, periodicals and wire services, and articles from books and journals on Chinese history, economy, and military.				
14. SUBJECT TERMS China Politics Economy National security			15. NUMBER OF PAGES Various lengths	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT UNCLASSIFIED	18. SECURITY CLASSIFICATION OF THIS PAGE UNCLASSIFIED	19. SECURITY CLASSIFICATION OF ABSTRACT UNCLASSIFIED	20. LIMITATION OF ABSTRACT SAR	



**CHINESE MILITARY, ECONOMIC, AND POLITICAL
REFORM: SURVEY AND CHRONOLOGY,
January 1 - June 30, 1986**

*A Report Prepared under an Interagency Agreement
by the Federal Research Division,
Library of Congress*

June 1986

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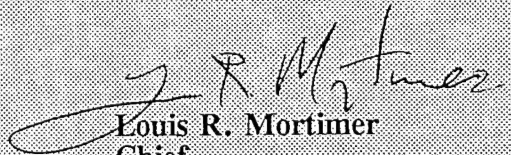
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PREFACE

This survey examines the course of Chinese political, military and economic reforms as reported between 1 January and 30 June 1986. For each topic, a brief statement of ultimate goals is followed by a discussion of the policy statements and key actions of the period. A chronological list of such statements and events is appended. The study is based on a variety of open sources, including US, Chinese, and other foreign newspapers, periodicals, wire services, books, and journals.

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SUMMARY

During the first half of 1986 the overall goal of China's reform effort remained one of greater professionalism in all organizational sectors: government; military; and economic. Well-educated, professionally qualified administrators or officers are to follow laws and regulations in their work, deciding issues through consultation and explicit procedures. In spite of admitted difficulties, especially in reform of factory management, the leadership has called for further reform in the future. In what may be a response to internal criticism and opposition to the reform program within the party, the reformist leadership has mounted a major propaganda and ideological campaign, calling for another "Hundred Flowers" policy, for the implementation of "socialist democracy," and for an end to arbitrary harassment of reformers. Blame for the slow progress of the reforms is thus being put on "dogmatists" within the party, and on low-level bureaucrats who are said to be obstructing reform.

1. Survey of China's Reform Efforts, 1 January - 30 June 1986

a. Introduction

The reform program promoted by China's current leadership aims at a transformation of the Chinese state and society that is quite as total as those attempted in the Great Leap Forward or the Cultural Revolution. But, Deng Xiaoping and his associates have tried to avoid the damaging emphasis on speed, mass enthusiasm, and immediate and total change that characterized those movements. The Chinese leadership presents reform as a long-term effort, involving continual readjustment and redefinition, and accompanied by discussion, debate, and wide consultation. The rhetoric of reform speaks of crossing a stream from stepping stone to stepping stone rather than leaping across, going against the current or relying completely on the helmsman. Reform in China, as in other Soviet-style political and economic systems, is necessarily a relatively long-term process marked by continued modification, compromise and redefinition.¹

It is, therefore, difficult to judge the success of the reform program over any short period. The difficulty is compounded by the Chinese tendency to use the term "reform" very broadly, and to describe almost any government action or any change as "reform."² In the Chinese political context such imprecision has obvious benefits. It permits the assembly of broad coalitions; permits local leaders to describe their actions as part of a broad program; and permits national leaders to switch targets, and by redefining intermediate, short-term goals avoids identifying any program as an outright failure. Assessing the course of such a long-term process with such broadly defined goals is best done by paying close attention to concrete, key actions and to authoritative statements of policy by national leaders. In doing this, "reform" is understood to be a narrower category than "change" and to refer to purposeful alterations in overall structures or procedures or in relations between component subsystems.

b. Political Reform

During the first half of 1986 the broad policy goals for reform of China's government remained unchanged, although the April-June period saw a new stress on ideology, with much discussion of academic freedom, a new "Hundred Flowers" program, and "socialist democracy." The goals for reform of the government call for administration by educated, professionally competent officials whose actions are guided by law. This entails the replacement of elderly and ill-educated cadres by younger and better educated officials, and the development of an effective legal system. Government bodies are to be separated from economic enterprises, withdrawing to a supervisory role and enforcing and amending the laws that guide the "relatively independent" economic enterprises.

In a similar vein, the Communist Party and its many branches are to withdraw from day-to-day management of enterprises and units. The party now seeks to recruit intellectuals (which in Chinese usage refers to anyone with a senior middle school education), and to operate internally under norms (if not binding laws) stressing consultation, discussion, and rational decisionmaking, rather than "dogmatism" or arbitrary choices by leaders. The overall reform

program requires a major change in the way the Communist Party articulates with the rest of society and with the other organizations (factories, schools, government offices, the Armed Forces) to which its members belong. The role of the party and its branches after reform remains quite ill defined. Not surprisingly, given the sensitive nature of discussions of the party's power and proper role, few specific proposals have been made public. The vision projected however, for both party and government is one of greater professionalism, administrative rationality, and rule by laws rather than men.

The issue of the party's role and power did emerge in public accounts of disputes between reformist factory managers and obstructive factory party branches and party secretaries. National-level newspapers such as Renmin Ribao championed the reformers, castigating local officials and party cadres for failure to support the party's reform policies. What might earlier have been portrayed as conflicts between "Reds" and "experts" were presented as conflicts between those following the party policies and those party members who ignored or obstructed those policies.

Unconfirmed foreign press reports claimed that within the party the reform group was criticized in late 1985 for stressing economics at the expense of ideology and for instituting reforms and an open door policy that bred corruption and moral decay. Perhaps to counter such criticism, 1986 began with the announcement of a special anticorruption program, presided over by leaders associated with the reform tendency. Several party leaders, most notably Party General Secretary Hu Yaobang and rising star Hu Qili, discussed ideological questions. Their arguments stressed the necessity of updating and adapting Marxist theory, described as a science rather than a dogma. They denied any opposition between economic development and "socialist spiritual civilization," and located the primary source of corruption and abuse of power in the legacy of China's "feudal" past rather than in foreign "bourgeois influences." As a remedy for admitted ills, they called for increased "socialist democracy." "Socialist democracy," Hu Qili made clear, does not involve elections, opposition parties or majority rule, but rather connotes improved communication between leaders and the public, widespread discussion, the making of decisions on rational grounds and after consulting expert opinion, and a certain degree of tolerance for disagreement. It is contrasted with "dogmatism" and arbitrary decisions by leaders who will not listen to advice or criticism, and with the "movement" or "campaign" style in which those who disagree are labelled political enemies and punished. Current difficulties, as with urban economic reform, are defined as consequences of the legacy of feudalism and the failure to practice socialist democracy. The solution therefore lies in further reform, more opening up to the outside world, and the enforcement of laws regulating commercial and bureaucratic conduct. In political terms, these statements appear to be attempts to seize the political initiative, define the issues, interpret key concepts such as Marxism, legality and democracy in ways favorable to reformers, and to shift the ground of debate away from the success of the urban economic reforms, which many observers regard as stalled.

The calls for a new "Hundred Flowers" program--also known as the "Double Hundred" policy ("let a hundred flowers bloom, let a hundred schools of thought contend")--which began in late April and were elaborated through May and June, were clearly a centrally-directed political initiative, the

purpose of which remains obscure. In themselves, the calls for academic freedom and open debate on scientific and scholarly issues were not new. The targets of criticism were ill-defined "people" and low-level administrators who stifled discussion and were free with political criticism. Low-level administrators were being criticized at the same time for obstructing the efforts of reformist factory managers. The outpouring of repetitious articles, editorials and commentaries in all China's major media remained abstract. It may have represented an attempt to prepare public opinion for substantial changes in local government, the operation of the legal system, or inner-party procedures to be announced later in the year. A hint of this was suggested in an article which reported the opinions of factory managers who were "burning up with anger and anxiety" over the refusal of local officials to grant them the decision-making powers which State Council regulations had authorized. It concluded that "many factory directors believe the key...lies in comprehensive and corresponding reforms in other departments."³

The repetitiousness and frequency of the calls for a Double Hundred policy and academic freedom may have carried a political message. They demonstrated that the reform tendency within the party was in complete control of the media and the propaganda apparatus, unlike in late 1983 when the short-lived "Spiritual Pollution" movement was used to criticize the open door policy.

c. Military Reform

Demobilization and Resettlement

Nineteen eighty-six is a key year in reforming the Army's structure and further reducing and reorganizing the troops. People's Liberation Army (PLA) Chief of General Staff Yang Dezhi indicated that the Army has completed the first phase of streamlining and reorganization. The demobilization and resettlement is expected to continue through 1986 and perhaps into 1987.

Despite the difficulty of finding jobs for so many people, the early retirement program has been generally successful. Many local governments have set up training schools and centers to provide job training opportunities and placement services to assist demobilized military personnel to transfer to civilian work. After demobilization, the former military personnel are normally resettled in their home towns, aggravating an already serious housing problem. In Beijing, where there are a large number of demobilized soldiers, houses are in short supply, and though the rate of construction may have increased, rehousing will be completed at the earliest by the end of 1986.

The main targets of the first phase in streamlining the Armed Forces were the ground force units, such as the field army units and provincial military districts, and the combat units of the Navy and the Air Force. The main targets of the second phase, which is currently under way, are the logistics sector, military institutes, and hospitals affiliated with the PLA. All the people's armed forces departments at the city and county level are to be transferred to local authorities and the newly established district people's armed forces departments will become "independent" military organs under the dual leadership of the local governments and the military authorities.

Training and Education

With the massive manpower reductions, the present emphasis is on the improvement of training and education and the application of high technology for modern defense. The PLA is establishing an improved system under which new recruits will undergo 4 months of regular, rigorous, and systematic training conducted by a specialized infantry and artillery training regiment before they are assigned to serve in PLA units. In March, a combined tactical training center was opened in the Nanjing Military Region. When fully completed, in a few years, it will be equipped with an electronic installation to direct training and a training battlefield for combat exercises. It will simulate various enemy actions and permit PLA units to engage in joint air and ground forces exercises. All units of group armies in the entire Armed Forces will come on a rotational basis for training with combat simulators.

The Chinese Air Force is introducing electronic, laser, and computerized equipment to improve its training methods, and the command systems of many air units have been computerized in order to improve their ability to respond quickly. The Air Force has conducted tactical training exercises involving ground troops since the beginning of 1986. The Navy's first long-range exercise in the Western Pacific, in late May 1986, included several dozen coordinated combat maneuvers and covered several thousand nautical miles. This exercise was designed to meet the requirements of future naval warfare and to explore new ways of carrying out coordinated naval training. It tested the units' wartime communications, security, ship maintenance, equipment and facilities, and political work.

The three-level system of military academies will be implemented to upgrade the training of PLA officers. The junior command academies will recruit senior middle school graduates and outstanding squad leaders; the middle-level command academies will recruit officers at battalion level and will provide them with advanced professional education; and the senior command academies will recruit officers at and above the division level and provide them with comprehensive higher education.

The National Defense University (NDU) in Beijing is the PLA's highest-level military academy, developed from the merger of the former military, political, and logistics academies. Zhang Zhen, formerly Deputy Chief of General Staff, is President of the NDU, and Li Desheng, former Commander of the Shenyang Military Region, is the Political Commissar. Classes will begin on 1 September 1986. The university will train senior military, political, and logistics commanders for the PLA ground, naval, and air forces, as well as senior staff officers, military theory researchers, and government cadres. Graduates are expected to be well prepared not only in military affairs, but in economics, diplomacy, and other sciences. This represents a major reform in the training of PLA officers.

Defense Industry

Premier Zhao Ziyang has indicated that the policy for military industry is to serve both civilian and military needs, and that military industries are to establish links with civilian enterprises. In January, the Minister of the Ordnance Industry ordered all weapons factories to switch part

of their manufacturing capacity to civilian production. China plans that by 1990 the military industries will devote 80 percent of their production to civilian goods for both the domestic market and for export. The military industries were to hold their first international trade fair in April 1986 in the Shenzhen Special Economic Zone adjacent to Hong Kong. In short, the same principles guiding civilian industry--market exchange, responsibility for producing marketable goods, and "horizontal" links with other industries--are to be applied to military industries as well.

Problems

In an effort to curb corruption in the Armed Forces, the Central Military Commission released a circular requiring all spending, production, and management departments within the military to undergo a thorough inspection. A special office, headed by Hong Xuezhi, Director of the PLA General Logistics Department, has been established to carry out the inspection. On 5 March, the PLA dispatched 150 officers to units across the country to investigate army finances and to educate officers and soldiers on financial discipline. The efforts to involve the Army in national modernization and economic development have provided more opportunities for military units to make money, sometimes in extralegal ways. However, because of efforts to maintain morale by keeping scandals out of the limelight, details on corruption cases have been scarce.

d. Economic Reform

Discussion

During the first half of 1986, vigorous and wide-ranging discussion of economic questions continued. Both academic journals and the daily press published articles on such issues as different types of ownership (state, collective, private, leased, joint-stock), the best provisions of a bankruptcy law, the proper role of banks, and the best ways for the central government to use "economic levers" (taxes, monetary policy, interest rates) to guide the economy. Articles often concluded with policy recommendations, offering policymakers a range of options, suggestions, and criticism of existing arrangements. Some of the suggestions probably will be implemented, if only as experiments.

Policy

No new policies for economic reform were announced, nor were the reform goals set out in 1984 and 1985 repudiated or even seriously modified. The official line is that 1986 is to be a year of consolidation. Further action on price reform, the heart of any serious economic reform, has been explicitly ruled out. Repeated statements by such national leaders as Premier Zhao Ziyang reaffirm support for the general goals set out in the October 1984 CCP Central Committee "Decision on Reform of the Economic Structure." In fact, the draft of the 7th Five-Year Plan (1986-90) calls for further reforms, envisaging more decentralization, greater decisionmaking powers for managers, a wider role for market exchange, and less direct administrative control over enterprises and the economy.

The policy calls chiefly for expansion of "horizontal" or "lateral" ties between enterprises or regions designed to combat the wasteful duplication of effort and investment produced by the economy's widespread compartmentalization and administrative barriers to exchange. This implies a greater role for market exchange and a restriction of the power of ministerial and local government officials over enterprises and their managers.

Administrative Actions and Experiments

The period saw continued efforts to translate the general goals of reform into specific administrative and legal measures. The most significant step was the adoption by the National People's Congress in April 1986 of a new Civil Code. The Code is intended to provide a clear legal framework for cooperative, contract-based and market-oriented economic activity. The other key legal document, the bankruptcy law, was widely discussed but not implemented. The bankruptcy law is intended to break the "iron rice bowl" of unconditional state support for even the most inefficient enterprises. The law reportedly has been held up by disagreements over treatment of workers whose jobs would be lost, as well as the issue of factories whose losses stem from the irrationalities of the price system rather than their own mismanagement. State Council regulations on contractual associations, double taxation of such associations, and the operation of the commercial system were also promulgated.

Several experiments in urban economic reform received wide publicity. Many of these came from Shenyang, one of three cities (along with Wuhan and Chongqing) granted special freedom to experiment with economic reforms. Most of the reforms centered on changes in factory management, including performance contracts for managers, leasing money-losing factories to managers who are to get a share of any profits, and giving managers broader powers, including those of hiring and firing. One unfortunate Shenyang factory has been cited repeatedly as the prime candidate for the first post-Liberation bankruptcy. In line with the focus on factory management and reform, little publicity went to Shenzhen and the other coastal special economic zones.

Problems and Political Solutions

A number of Government regulations and much national publicity were essentially reactive, representing responses to urgent problems rather than the logical unfolding of a long-term strategy. The most common problem was attempts by local officials or the Communist Party branches within enterprises to continue to control the enterprises or to harass or dismiss reform-minded managers. By June such official organs as Beijing Review and China Daily were publishing sharp criticisms of local administrative offices and so-called "corporations" for their refusal to grant enterprises the freedom of action they are supposedly entitled to, and for their imposition of unauthorized fees, taxes, and service charges. Such instances of local bureaucratic malfeasance or nonfeasance represent longstanding and widespread problems. The public criticism of enterprise party branches and party secretaries raises the very sensitive issue of their as yet undefined role in a reformed economic structure based on expertise and managerial professionalism. By June, China's official media were beginning to suggest that reform of the political structure was the only way to curb abuses. The link between economic reform and

political reform was thus highlighted, and the focus of the reform movement shifted back toward politics.

e. Conclusion

During the first half of 1986, China's leadership continued its calls for reform. Although there was more rhetoric than action in economic reform, some significant steps were taken and politically sensitive topics such as the proper role of Communist Party branches and their cadres in factories and other institutions were openly discussed. Some concrete steps toward economic reform were taken, most notably the adoption of the new Civil Code, and China's military continued to demobilize troops and to improve officer training. During May and June the reform program as a whole took a new turn, as strong emphasis was put on ideology and the need for changes in the way administrators and party cadres make decisions. As of June 30 this policy trend was still very much in process, and its ultimate goal remained unclear. However, it was clearly aimed at lower-level officials, on whom the blame for slow progress in reforms was being placed.

NOTES

¹Hansen C.K. Leung, "The Role of Leadership in Adaptation to Change: Lessons of Economic Reforms in the USSR and China," Studies in Comparative Communism, vol. 18, no. 4 (Winter 1985), pp. 227-31.

²Robert F. Dernberger, "Reflections of a China Specialist," in Janet A. Cady, ed., Economic Reform in China: Report of the American Economists Study Team to the People's Republic of China (New York: National Committee on US-China Relations, 1986), pp. 4-5.

³"Enterprises Demand More Power," Beijing Review, no. 29 (16 June 1986), pp. 6-7.

CHRONOLOGY

POLITICAL REFORM

RECORD: 157

Objectives	GOVERNMENT
Subobjectives	Leadership
Indicators	China's leadership rejuvenation reached its climax in September 1985 when 131 party veterans, including 10 from the Political Bureau and 54 from the Central Committee, resigned. Deng Xiaoping described the rejuvenation process as an "organizational guarantee for the continuity of the party's (reformist) policies." The task of implementing the reforms as well as resolving the problems has been placed firmly on the shoulders of six "rising stars," promoted to Political Bureau and/or Secretariat membership in September 1985: Hu Qili, Tian Jiyun, Qiao Shi, Li Peng, Wang Zhaoguo and Hao Jianxiu. Hu Qili chaired a Party Secretariat meeting in January 1986 in which he announced the formation of a top-level anticorruption campaign, headed by Qiao Shi.
Sources	Bonavia, David. "Forward to Uncertainty: The Very Success of Deng's Reforms Inhibits Political Consensus." <u>Far Eastern Economic Review</u> (Hong Kong), 20 March 1986, pp. 57, 59-62.
Item Date	86/01/20

RECORD: 159

Objectives	GOVERNMENT
Subobjectives	Corruption
Indicators	In Deng Xiaoping's words, China took "a brave step" on the path of reform in 1985 in many important aspects of China's urban and rural economic systems, including the sensitive price and wage systems. In 1986, reform policies continue to be the priority tasks of the party and government. It is to be a year of "consolidation, assimilation, supplementation, and improvement" on the basis of the reform policies of 1985. At the beginning of this year, the CCP Central Committee passed a resolution to fight against corruption in party and government. The reform and rectification are working hand in hand toward the common goal--the reform policies.
Sources	"A Brave Step." <u>Renmin Ribao</u> (Overseas Edition), 12 February 1986, p. 2, in FBIS/China, 12 February 1986, p. K1.
Item Date	86/02/12

POLITICAL REFORM

RECORD: 196

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	At the CCP National Conference of Delegates in September 1985, Deng Xiaoping proposed that cadres, especially leading cadres, should be required to study Marxist theories. However, a problem exists in the interpretation of Marxism. The reformists, who advocate rejecting or reinterpreting certain Marxist tenets to conform to current realities are in disagreement with the conservatives, who take a more orthodox view of Marxist theory.
Sources	Chang Chen-pang. "To Study Marxist Theories: A New Requirement for Chinese Communist Cadres." <u>Issues & Studies</u> (Taipei), vol. 22, no. 3, March 1986, pp. 1-3.
Item Date	86/03/00

RECORD: 160

Objectives	GOVERNMENT
Subobjectives	Faction
Indicators	In the course of drawing up the guidelines of the Seventh 5-Year Plan, Deng Xiaoping was under great pressure and encountered a number of difficulties. Chen Yun and his supporters criticized Hu Yaobang for "relaxing the ideological work" and "yielding to capitalism." Hu Qiaomu argued that the special economic zones are "concessions," the open-door policy is "colonization without colonists," and the opening up has corrupted China's social values. Because of the runaway industrial growth in 1985, Chen Yun and his followers tried to put the blame on the reformists. They argued that the pace of reforms should be slowed down. Finally, the reformists and Chen Yun's faction worked out the guidelines for reforms in 1986 as "consolidating, digesting, replenishing, and improving."
Sources	Lo Ping, "Notes on a Northern Journey," <u>Cheng Ming</u> (Hong Kong), 1 April 1986, in FBIS/China, 3 April 1986, p. W1.
Item Date	86/04/01

RECORD: 211

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	Addressing social scientists in Shanghai on April 14, Political Bureau member Hu Qili discusses "spiritual civilization." He says:

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Continued

"We should not let people believe that we now stress spiritual civilization simply because there have been some troubles with our economic structural reform. This is not true." He argues that economic reform and spiritual civilization are mutually reinforcing, and identifies "negative tendencies" such as corruption with China's "feudal tradition" and underdeveloped forces of production. The only cure is to carry out further reforms and continue the opening up policy.

Education and enforcement of laws are the way to improve the party's working style. "To prevent cadres of all ranks from abusing their powers and engaging in trade, we must further develop the commodity economy to create an environment of balanced competition and further improve our legal system."

Sources

Chen Maodi. "Create an Atmosphere of Democracy, Harmony and Trust - Hu Qili Has Heart-to-Heart Talks with Intellectuals in Shanghai." Liaowang (Overseas Edition) (Hong Kong), 2 June 1986, in FBIS/China, 4 June 1986, pp .K1-7.

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86/04/14

RECORD: 195

Objectives Subobjectives Indicators

GOVERNMENT

Decentralization

The Seventh 5-year Plan calls for a significant transfer of administrative power from central authorities to local governments and a gradual removal of government at all levels from business and industry. The Plan states that "except for a few special government departments and industries, no ministries, provinces, or autonomous regions will exercise direct control over enterprises." However, the Plan will be difficult to implement because it calls for a decrease in party and central leadership power and could lead to social unrest if market forces are not properly managed.

Sources

Sterba, James P. "China's Leaders Show Daring with New Plan." Asian Wall Street Journal (Hong Kong), 16 April 1986, pp. 1, 5.

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86/04/16

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Objectives Subobjectives

GOVERNMENT

Ideology

POLITICAL REFORM

Continued

Indicators In a 23 March speech to party members attending the National People's Congress, Political Bureau member and possible successor to Hu Yaobang as Party General Secretay, Hu Qili defines "socialist democracy." It is a process in which leaders visit grass-roots units and solicit opinions from the masses, explain policies and rely on persuasion through rational discussion. Political struggle, criticism of people on principle, and arbitrary issuing of orders are to be avoided. Differences of opinion are allowed. "Socialist democracy" is essentially a matter of open communication between leaders and the masses, and operates through rational discussion rather than political struggle and mass movements.

Sources Hongqi (Beijing), No.8, 16 April 1986, in FBIS/China, 29 April 1986, p. K1-6.

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RECORD: 210

Objectives GOVERNMENT
Subobjectives Ideology
Indicators Hu Qili, member of the Political Bureau and the Party Secretariat, delivers a May Day speech in Beijing, in which he calls for the continued development of Marxism. Declaring that it has never been a rigid dogma, he calls on party members to have the courage to break with (Marxist) conclusions that experience has proven outmoded or incorrect. "We must oppose mental ossification and avoid regarding Marxism as dogma that never changes."

Sources Xinhua (Beijing), 30 April 1986, in FBIS/China, 2 May 1986, pp. K2-10.

Item Date 86/04/30

RECORD: 190

Objectives GOVERNMENT
Subobjectives Democratization
Indicators Recent calls by the Chinese leadership for greater intellectual freedom have created the opportunity for academics and artists to hold discussions on a wide range of politically sensitive subjects, such as how to improve on concepts of socialism.

Sources Zhang Xiaogang. "State Reforms Set Academics Abuzz." China Daily (Beijing), 15 May 1986, p. 4.

Item Date 86/05/15

POLITICAL REFORM

RECORD: 198

Objectives	GOVERNMENT
Subobjectives	Problems
Indicators	The factory director responsibility system, designed to increase state-owned factory efficiency, profitability, and quality control, is perceived by in-plant party committee members as a direct threat to their power and perquisites. The two main areas of contention are the factory director's authority to appoint middle-level leadership cadres, which some say violates the principle that the party should be in charge of cadres, and the claim that certain factory directors have abused their authority and engaged in "unhealthy" and illegal activities.
Sources	Delfs, Robert. "Who's in Charge?" <u>Far Eastern Economic Review</u> (Hong Kong), 22 May 1986, p. 64.
Item Date	86/05/22

RECORD: 197

Objectives	GOVERNMENT
Subobjectives	Decentralization
Indicators	In order to improve efficiency in industrial enterprises, party committees now focus on political, ideological, and organizational work instead of getting involved in day-to-day production and managerial affairs.
Sources	"Units Give Directors More Power." <u>China Daily</u> (Beijing), 31 May 1986, p. 3.
Item Date	86/05/31

RECORD: 191

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Leaders of the Communist Party and social scientists have become aware that successful reform of the economic system is contingent on the implementation of political reforms. For example, Deng Xiaoping has stated that economic reform involves reform in the fields of politics, education, science, etc. Hu Qili, a younger leader of the Communist Party, announced on May Day that reforms would be made in the political, as well as economic and cultural, structures to build a high level of democracy and civilization in China. A commentary in <u>Renmin Ribao</u> argued that eliminating obstacles to economic reform, such as bureaucratism and the abuse of power for

POLITICAL REFORM

Continued

private gain, depends on reform of the political structure.

Sources Huang Qing. "China to Extend Scope of Reform." China Daily (Beijing), 9 June 1986, p. 4.

Item Date 86/06/09

RECORD: 192

Objectives GOVERNMENT
Subobjectives Democratization
Indicators Numerous articles have appeared recently in the Chinese press on the theme of "Double Hundred" in an attempt by party reformers to allow greater freedom to intellectuals, primarily in academic research. The articles appear to be coordinated by the party leadership, probably through Zhu Houze, head of the Party Propaganda Department, who replaced the conservative Deng Liqun in July 1985.

Sources Delfs, Robert. "Contending Thoughts - Party Liberals Push for Free Academic Debate." Far Eastern Economic Review (Hong Kong), 19 June 1986, pp. 49-50.

Item Date 86/06/19

RECORD: 193

Objectives GOVERNMENT
Subobjectives Democratization
Indicators The Chinese leadership has launched a "New Hundred Flowers" campaign to increase intellectual freedom, to promote "democratization," and to achieve "de-dogmatization and renewal of ideology." Four reformers who have been at the forefront of the campaign are: Hu Qili, member of the Central Secretariat; Zhu Houze, CCP propaganda chief; Liu Zaifu, researcher in literary theory at the Chinese Academy of Social Sciences; and Ma Ding, philosophy researcher at Nanjing University. The article maintains that the current drive lacks a popular base, and therefore Beijing can easily abort the temporary liberalization once it has outlived its political usefulness.

Sources "A Time to Speak Out." Asiaweek (Hong Kong), 22 June 1986, pp. 47-56.

Item Date 86/06/22

POLITICAL REFORM

RECORD: 194

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	During a visit to Italy, Hu Yaobang, CCP General Secretary, stated that Marxism is not an immutable dogma and that it must be constantly enriched and developed through practice. He said that Communists must be adept at rejecting or replacing individual Marxist concepts that are either outdated or impractical.
Sources	Wang Gangyi. "Marxism Not Rigidly Dogmatic, Hu Says." <u>China Daily</u> (Beijing), 23 June 1986, p. 1.
Item Date	86/06/23

RECORD: 212

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	Addressing the Chinese Association for Science and Technology, Political Bureau member Hu Qili calls on scientists to keep to the policy of letting a hundred schools of thought contend, carry forward democracy and encourage the free discussion of different academic views. He concludes: "The party's policy of letting one hundred schools of thought contend is the concrete manifestation of socialist democracy in the field of science and technology."
Sources	Xinhua (Beijing), 23 June 1986, in FBIS/China, 24 June 1986, p. K3
Item Date	86/06/23

RECORD: 199

Objectives	GOVERNMENT
Subobjectives	Democratization
Indicators	Communist Party officials and scholars claim that China's reform program has created an "unprecedented political democratization." They hold that there has been a broadening of academic freedom and say that they are calling for legislation to ensure its continuation. An article in <u>Renmin Ribao</u> argued that there must be detailed guarantees of civil rights, such as laws to protect the press, and to protect copyrights, inventions, visual media, academic and cultural societies, and literary creations.
Sources	Zhang Xiaogang. "Spell Out Freedom, Academics Urge." <u>China Daily</u> (Beijing), 24 June 1986, p. 4.
Item Date	86/06/24

MILITARY REFORM

RECORD: 205

Objectives	MILITARY
Subobjectives	Reorganization
Indicators	<u>Jiefangjun Bao</u> claims in its New Year's message that a greater effort should be made to build up a modernized revolutionary army in the current reform. 1986 will be a key year in reforming the Army's structure and further reducing and reorganizing the troops.
Sources	<u>China Daily</u> (Beijing), 8 Jan 86, p. 4.
Item Date	86/01/08

RECORD: 153

Objectives	MILITARY
Subobjectives	Training
Indicators	China's National Defense University (NDU) is established in Beijing as the PLA's highest-level military academy. Zhang Zhen, formerly Deputy Chief of General Staff, is appointed as President of the NDU and Li Desheng, former Commander of the Shenyang MR, as the Political Commissar. The NDU was founded by the merger of the former military, political and logistics academies. Classes will begin on 1 September 1986.
Sources	<u>Defense & Foreign Affairs Daily</u> , (Washington), 10 January 1986, pp. 1-2.
Item Date	86/01/10

RECORD: 204

Objectives	MILITARY
Subobjectives	Militia
Indicators	On 15 January 1986, the regional CCP Committee held the 8th plenum of the People's Armed Forces Committee in Nanning. The meeting worked out plans for the regional militia to be reduced in size, to improve its quality, and to adjust the strategic guiding ideology of national defense, so that the military will better serve economic construction.
Sources	Guangxi Regional Service (Nanning), 16 January 1986, in JPRS-CPS-86-021, 19 Feb 86, p. 50.
Item Date	86/01/16

RECORD: 202

Objectives	MILITARY
Subobjectives	Science and Technology
Indicators	China held its first International Defense Industries Modernization Expo 86 in Beijing. It focused on China's need to modernize with Western technology. One hundred and sixty

MILITARY REFORM

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companies from 17 nations and regions participated, with the US and France prominent. Products, models, and samples included aviation, missiles, electronics, conventional weapons, and production equipment worth US \$10 million, of which about one-third was offered for sale. About US \$2.5 million worth of business was concluded with the Chinese.

Sources Jane's Defence Weekly (London), 15 February 1986, p. 233.

Item Date 86/02/15

RECORD: 167

Objectives
Subobjectives
Indicators

MILITARY
Industry
Premier Zhao Ziyang has indicated that China's current policy for military industry is to transform its facilities to serve both military and civilian needs and to establish links with civilian enterprises. The Ministry of Ordnance Industry and Heilongjiang Province are establishing their first cooperation plan this year. China has planned that by 1990 the military industries will devote 80 percent of their production to civilian goods. According to the Seventh 5-Year Plan(1986-1990), military industries are to set up a network of export-oriented production.

Sources China Daily (Beijing), 5 March 1986, p. 4.

Item Date 86/03/05

RECORD: 155

Objectives
Subobjectives
Indicators

MILITARY
Problems
The PLA announced on 6 March 1986 that more than 150 officers are being sent to PLA units countrywide to investigate Army finances and to educate officers and soldiers on financial discipline. The Hong Kong newspaper Ming Pao has reported that soldiers requesting home leaves, study leaves or transfers or seeking permission to accept prizes or even join the party, have had to bribe officers with wine and cigarettes. Nanjing radio reported that "13 persons of a certain regimental garrison" had taken advantage of the Army's streamlining and reorganization, and had left the PLA unit taking videotape recorders, cameras and other public property. Ta Kung Pao in Hong Kong also reported that the commercial activities of the

MILITARY REFORM

Continued

Sources sons of PLA generals Ye Fei and Xiao Jinguang were being investigated.
Lee, Mary. "Corruption Crackdown: The PLA Mounts a Quiet War on Internal Abuses." Far Eastern Economic Review, Hong Kong, 20 March 1986, p. 36.

Item Date 86/03/20

RECORD: 156

Objectives MILITARY
Subobjectives Demobilization
Indicators In 1985 the PLA demobilization affected 800,000 officers and men. Despite the difficulty of finding jobs for so many people, the early retirement program is expected to continue in 1986, and perhaps into 1987.

Sources Bonavia, David. "The military: no more the sacred warriors." Far Eastern Economic Review, Hong Kong, 20 March 1986, pp. 60-61.

Item Date 86/03/20

RECORD: 154

Objectives MILITARY
Subobjectives Training
Indicators The PLA has instituted a system under which new recruits will undergo four months of rigorous and systematic training before they are assigned to PLA units. A training regiment whose primary task is to train new recruits and squad leaders has been organized. The first group trained by the training regiment are better than previous recruits in political and ideological understanding, military skill, work style, discipline, and physical condition.

Sources Xinhua (Beijing), in Chinese, 22 March 1986, in FBIS/China, 24 March 1986, p. K14.

Item Date 86/03/24

RECORD: 158

Objectives MILITARY
Subobjectives Streamlining
Indicators The process of streamlining and reorganization of the Chinese Army is divided into two phases. The main target of the first phase was to streamline the ground force units, and the combat units of the Navy and the Air Force. The main targets of the second phase are the logistics sector, the military institutes, and hospitals affiliated with the PLA. All the people's armed forces

MILITARY REFORM

Continued

departments at the county level are to be transferred to local authorities.

Sources Li Wei. "Yang Dezhi Describes First Phase of Streamlining and Reorganization of the Chinese Army as Having Basically Come to an End." Zhongguo Xinwen She (Beijing), 26 March 1986, in FBIS/China, 27 March 1986, p. K4.

Item Date 86/03/26

RECORD: 162

Objectives MILITARY
Subobjectives Training
Indicators Han Huaizhi, Deputy Chief of the General Staff, indicated that China needs to reform the military academies and their training methods. The Central Military Commission plans to upgrade the educational level of all officers by the end of the year 2000. Officers who are promoted in the field must be re-educated in military academies. China plans to increase its military exchange with foreign countries, sending students abroad and inviting foreign military experts to give lectures on management, technology, military science and equipment.

Sources Liu Dizhong. "Army Demob on Schedule to Cut 1M Off Forces." China Daily (Beijing), 2 April 1986, p. 1.

Item Date 86/04/00

RECORD: 161

Objectives MILITARY
Subobjectives Weaponry
Indicators In April 1986, the US announces the sale of \$550 million worth of military electronics equipment to China to help modernize China's F-8 fighter interceptors. It is Washington's first major direct military sale to Beijing. The sale requires the assignment of 25 US contractor personnel to China for a minimum of nine months. Eleven would remain in China for three years.

Sources Ta Kung Pao (Hong Kong), 10 April 1986, p. 13.

Item Date 86/04/10

RECORD: 165

Objectives MILITARY
Subobjectives Training
Indicators The first PLA combined tactical training center was inaugurated in Nanjing in April

MILITARY REFORM

Continued

1986. Li Peiji, director of the training center, indicated that the center is providing simulated battlefield training for combined warfare. All units of group armies will come to this center on a rotational basis for training in the next few years.

Sources Xinhua (Beijing), 22 April 1986, in FBIS/China 24 April 1986, p. K9.

Item Date 86/04/22

RECORD: 203

Objectives MILITARY
 Subobjectives Reorganization
 Indicators The transfer of command of county and city People's Armed Forces departments to local governments is proceeding gradually in China. Now, more than 60 people's armed forces departments selected for the experiment have completed their transfer.

Sources Xinhua (Beijing), 2 May 1986, in FBIS/China, 6 May 1986, p. K17.

Item Date 86/05/02

RECORD: 166

Objectives MILITARY
 Subobjectives Reorganization
 Indicators The CCP Central Committee, the State Council and the Central Military Commission have issued a circular to transfer command of People's Armed Forces departments to county and city governments.

Sources Xinhua (Beijing), in Chinese, in FBIS/China, 6 May 1986, pp. K17-18.

Item Date 86/05/06

RECORD: 201

Objectives MILITARY
 Subobjectives Militia
 Indicators On 5 May 1986 in Shanghai, the Nanshi District People's Armed Forces Department was transferred to the command of the municipal CCP Committee and the municipal government. It will be the first pilot unit to become an independent military organ under the dual leadership of the local authorities and the military authorities.

Sources FBIS/China 15 May 86, p. 01.

Item Date 86/05/15

MILITARY REFORM

RECORD: 206

Objectives
Subobjectives
Indicators

MILITARY
Science and Technology
At an enlarged meeting of the Party Committee of the Academy of Military Science, Minister of National Defense Zhang Aiping pointed out that the development of military sciences must be ahead of the development of China's armed forces. In order to raise the standards in scientific research, the Academy of Military Sciences is establishing ties with foreign military units and institutions, and recruiting younger and more academically qualified scientists.
FBIS/China 21 May 86, p. K13.
86/05/21

Sources
Item Date

RECORD: 207

Objectives
Subobjectives
Indicators

MILITARY
Science and Technology
The first automated command work station of the General Staff Headquarters of the Chinese Armed Forces was established on 8 May. The station uses a computer network in the automated command system as well as for its office work. The complete automation of the command system at various levels in the Chinese Armed Forces is expected to be completed during the Seventh 5-Year Plan (1986-1990).
FBIS/China 21 May 86, p. K14.
86/05/21

Sources
Item Date

RECORD: 209

Objectives
Subobjectives
Indicators

MILITARY
Training
The PLA Navy staged its first long-range exercise in the Western Pacific during the last part of May. The exercise included several dozen naval coordinated combat maneuvers and covered several thousand nautical miles. The exercise also tested the units' wartime communications, security, ship maintenance, equipment and facilities, and political work. The exercise was designed to meet the requirements of future naval warfare and to explore new ways of carrying out coordinated naval training.
Wen Wei Po (Hong Kong), 10 June 86, p. 2, in
FBIS/China 10 June 86, p. W1.
86/06/10

Sources
Item Date

MILITARY REFORM

RECORD: 208

Objectives	MILITARY
Subobjectives	Demobilization
Indicators	The transfer of Army cadres to civilian work has been proceeding successfully. All localities have set up training schools and classes to provide job training and placement for the resettlement of Army cadres.
Sources	Xinhua (Beijing), 11 June 86 in FBIS/China, 12 June 86, p. K6.
Item Date	86/06/11

ECONOMIC REFORM

RECORD: 168

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Premier Zhao Ziyang, addressing a national conference on planning and economic work, says that the major task for 1986 will be to "consolidate, digest, supplement and improve" 1985's achievements in reform. No major new steps in price reform will be taken in 1986. He calls for the promotion of "horizontal" economic ties between departments and regions.
Sources	Xinhua, (Beijing), 17 January 1986, in FBIS/China, 22 January 1986, pp. K1-3.
Item Date	86/01/17

RECORD: 169

Objectives	ECONOMIC
Subobjectives	New Laws
Indicators	A bankruptcy law is being drafted by a special group set up by the National People's Congress, the State Council, the Supreme People's Court and other unspecified central departments. The bankruptcy law is intended to be a key part of urban economic reform, providing sanctions for poor management.
Sources	<u>Ta Kung Pao Weekly Supplement</u> (Hong Kong), 23 January 1986, p. 3.
Item Date	86/01/23

RECORD: 170

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	The Liaoning Provincial CCP Committee and the Provincial People's Government forbid any administrative body from levying fees on basic level enterprises. The document states: "The financial, auditing, banking, price and industrial and commercial departments are strictly prohibited from . . . fixing excessive service charges and collecting unwarranted fees."
Sources	<u>Liaoning Ribao</u> , 9 January 1986, in FBIS/China, 4 February 1986, p. S7
Item Date	86/02/04

RECORD: 171

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	The Anhui Provincial Government issues a notice on protection of the legitimate rights of self-employed workers and businessmen. Local industrial and commercial departments

ECONOMIC REFORM

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are forbidden to levy unauthorized fees, delay permission for licenses, impose new taxes, destroy shops or stalls, or to refuse to supply goods or raw materials to self-employed workers and businessmen.

Sources Anhui Provincial Radio Broadcast, 18 February 1986, in FBIS/China, 26 February 1986, p.01.
Item Date 86/02/26

RECORD: 172

Objectives ECONOMIC
Subobjectives Management
Indicators Renmin Ribao reports the "correct" decision of a Yingkou City (Liaoning) CCP Municipal Committee to support a reform-minded factory manager in his dispute with the factory party committee and some plant cadres. Renmin Ribao calls for support of reformers and managers who take risks to improve productivity.
Sources Renmin Ribao (Beijing), 13 February 1986, in FBIS/China, 26 February 1986, pp. K1-3.
Item Date 86/02/26

RECORD: 173

Objectives ECONOMIC
Subobjectives Markets
Indicators The Director of the State Administration of Supplies, Ling Yuxun, announces that the scope of market exchanges of such basic commodities as steel, cement, timber and coal has increased. In Suzhou, 75 percent of the steel, 70 percent of the coal, and 44 percent of the timber is now provided by the market rather than central allocation.
Sources China Daily (Beijing), 11 March 1986, p. 4.
Item Date 86/03/11

RECORD: 174

Objectives ECONOMIC
Subobjectives Policy
Indicators Speaking at the first National Conference on Restructuring the Urban Economic System, Premier Zhao Ziyang reiterates his call for further "horizontal" links between enterprises and elimination of administrative barriers to economic exchange and cooperation.
Sources China Daily, (Beijing), 17 March 1986, p. 1.
Item Date 86/03/17

ECONOMIC REFORM

RECORD: 175

Objectives	ECONOMIC
Subobjectives	Price reform
Indicators	Vice Premier Tian Jiyun says the main objective of price-related work in 1986 is to keep prices basically stable. Although price reform is a necessary long-term goal, it requires careful study and preparation.
Sources	Xinhua (Beijing), 22 March 1986, in FBIS/China, 24 March 1986, pp. K11-12.
Item Date	86/03/24

RECORD: 176

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Presenting the draft of the Seventh 5-Year Plan (1986-1990) to the National People's Congress, Premier Zhao Ziyang calls for further economic reforms. The Plan envisages further decentralization, extension of market exchange, decisionmaking powers for enterprise managers, and new macroeconomic regulators to replace administrative control over enterprises and exchanges.
Sources	Xinhua (Beijing), 25 March 1986, in FBIS/China, 25 March 1986, pp. K9-11.
Item Date	86/03/25

RECORD: 177

Objectives	ECONOMIC
Subobjectives	New Laws
Indicators	The State Council issues new regulations on "horizontal" economic associations. Such associations must be formed voluntarily, cannot be restricted by barriers between regions, administrative departments or sectors, are to receive support from banks and, in some cases, tax reductions. Double taxation of associations is prohibited.
Sources	Xinhua (Beijing), 23 March 1986, in FBIS/China, 27 March 1986, pp. K28-29.
Item Date	86/03/27

RECORD: 178

Objectives	ECONOMIC
Subobjectives	Management
Indicators	The managers of 20 state-run Beijing factories producing chemicals, machines, and textiles sign contracts specifying targets for profits, quality of goods, and technological innovation. Their salaries and

ECONOMIC REFORM

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job retention will depend on their success in reaching the targets.

Sources

Xinhua (Beijing), 5 April 1986, in JPRS
CEA-86-050, 29 April 1986, p.141.

Item Date

86/04/05

RECORD: 1

Objectives
Subobjectives
Indicators

ECONOMIC

New Laws

The National People's Congress adopts the general provisions of the civil law. The new code defines legal persons, and agency and property rights. One third of its provisions define the legal status of economic entities, including the rural contract production household and urban household enterprises. One purpose of the new legal code is to create a legal framework within which state and collective enterprises can interact on a voluntary, contractual basis.

Sources

Far Eastern Economic Review (Hong Kong), 17
April 1986, p .52.

Item Date

86/04/17

RECORD: 164

Objectives
Subobjectives
Indicators

ECONOMIC

Price reform

During a meeting with some well-known Hong Kong personages in April, Deng indicates that the reform of the pricing system is most sensitive and the commodity prices have been basically stabilized in China. In 1985 China's reform policies were accelerated too fast. Therefore, in 1986 China is to reduce the speed of implementation in order to digest, readjust, and strengthen the reforms, to prepare for the new policies for 1987. He further states that the Seventh 5-Year Plan is designed to do a good job for the reforms.

Sources

Hou Tung-hai. "Deng Xiaoping Hopes that Basic Law Will be Drawn Up Well." Ta Kung Pao (Hong Kong) in Chinese 20 April 1986, p. 1. in
FBIS/China 21 April 1986, p. W1.

Item Date

86/04/20

RECORD: 179

Objectives
Subobjectives
Indicators

ECONOMIC

Management

The State selects 6,400 large and medium enterprises (which produce 66 percent of the state income) to be pace setters in management

ECONOMIC REFORM

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modernization. The State has set targets for improving the quality of goods and for reducing the consumption of energy and raw materials.

Sources Xinhua (Beijing), 26 April 1986, in JPRS
CEA-86-059, 15 May 1986, p.10.
Item Date 86/04/26

RECORD: 181

Objectives ECONOMIC
Subobjectives Personnel
Indicators The national meeting of labor and personnel bureau directors announces that during the Seventh 5-Year Plan (1986-1990) the reform of the wage and hiring systems will have priority. The goals are to establish equity and comparability of wages among enterprises, to devise systems that will reward effort, and to gradually adopt a new hiring system that will promote the rational flow and use of labor resources and of cadre talents.

Sources Xinhua (Beijing), 7 May 1986, in FBIS/China, 9 May 1986, pp. K17-18.
Item Date 86/05/07

RECORD: 180

Objectives ECONOMIC
Subobjectives Policy
Indicators The Director of the State Administration for Commerce and Industry, addressing a national conference in Beijing, reiterates that party and government departments and their cadres are forbidden to run enterprises or to use their position to seek commercial advantage. He reports that in 1985 the licenses of over 8,700 enterprises run by party and government departments were revoked, and another 15,000 enterprises were separated from their founding departments to be run independently.

Sources Xinhua (Beijing), 8 May 1986, in FBIS/China, 9 May 1986, p. K16.
Item Date 86/05/08

RECORD: 182

Objectives ECONOMIC
Subobjectives Decentralization
Indicators The Ministry of the Electronics Industry announces that it has put all of its 172 enterprises under local administrative control. The enterprises will operate as

ECONOMIC REFORM

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Sources "relatively independent" organizations responsible for their own profits and losses.
Xinhua (Beijing) in US-China Economic Journal (New York), 14 May 1986, p. 4.
Item Date 86/05/14

RECORD: 183

Objectives ECONOMIC
Subobjectives Management
Indicators In an experiment, 47 State-owned factories in Shenyang have been leased to managers who have full power over the factories' operations, including the right to hire and fire workers. The managers have a right to a share of the profits, but must compensate the State if they fail to meet their contracted quota and run at a loss.
Sources Xinhua (Beijing), in Ta Kung Pao Weekly Supplement (Hong Kong), 22 May 1986, p. 3.
Item Date 86/05/22

RECORD: 185

Objectives ECONOMIC
Subobjectives Problems
Indicators Economic Daily (Beijing) reports that a survey of Beijing factories shows that in many cases State Council regulations on enterprise autonomy, taxation and use of resources are ignored, and power over factories is held by "administrative corporations" which are but local government offices under a new name.
Sources China Daily (Beijing), 5 June 1986, p. 7.
Item Date 86/06/05

RECORD: 187

Objectives ECONOMIC
Subobjectives Problems
Indicators Beijing Review reports widespread complaints by factory managers that decision-making powers supposedly given them by the State Council in May 1984 regulations have never actually been granted. Factory managers, described as angry and on the verge of resigning, believe the key lies in comprehensive reform of other departments such as the local administrative companies that "supervise" them.
Sources Beijing Review, 16 June 1986, pp. 6-7.
Item Date 86/06/16

ECONOMIC REFORM

RECORD: 186

Objectives
Subobjectives
Indicators

ECONOMIC
Problems

A provincial factory director, fired in December 1985 for "going too far in management reform," is reinstated with greater decisionmaking powers after his case is given wide publicity by Renmin Ribao. The leadership of the Zhengzhou Number Two Transport Company, responsible for firing the director, is reported to have been replaced.

Sources
Item Date

China Daily (Beijing), 17 June 1986, p. 3.
86/06/17

RECORD: 188

Objectives
Subobjectives
Indicators

ECONOMIC
Policy

The State Council issues a circular on reform of the commercial system. It calls for promotion of horizontal links between enterprises and between regions, further decentralization of commerce, and State regulation of commerce and markets through indirect, macroeconomic means.

Sources
Item Date

China Daily (Beijing), 26 June 1986, p. 1.
86/06/26